

Indicators of Welfare Dependence

Annual Report to Congress
2001



U.S. Department of Health and Human Services

Contributors to this report include Gil Crouse, Susan Hauan, Julia Isaacs, and Matt Lyon of the Office of Human Services Policy under the direction of Barbara Broman, Acting Deputy Assistant Secretary for Human Services Policy, Office of the Assistant Secretary for Planning and Evaluation.

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Office of Human Services Policy
Assistant Secretary for Planning and Evaluation
Hubert H. Humphrey Bldg., Room 410E
200 Independence Ave., S.W.
Washington, D.C. 20201

Fax 202-690-6562

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Executive Summary

The Welfare Indicators Act of 1994 requires the Department of Health and Human Services to prepare annual reports to Congress on indicators and predictors of welfare dependence. This 2001 *Indicators of Welfare Dependence*, the fourth annual report, is the first report to provide welfare dependency indicators for the 1996-1998 period, reflecting changes that have taken place since enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in August 1996. As directed by the Welfare Indicators Act, the report focuses on benefits under the Aid to Families with Dependent Children (AFDC) program, now the Temporary Assistance to Needy Families (TANF) program; the Food Stamp Program; and the Supplemental Security Income (SSI) program.

Welfare dependence, like poverty, is a continuum, with variations in degree and in duration. Families may be more or less dependent if larger or smaller shares of their total resources are derived from welfare programs. The amount of time over which families depend on welfare might also be considered in assessing their degree of dependency. Although recognizing the difficulties inherent in defining and measuring dependence, the bipartisan Advisory Board on Welfare Indicators proposed the following definition, as one measure to examine in concert with other key indicators of dependence and deprivation:

A family is dependent on welfare if more than 50 percent of its total income in a one-year period comes from AFDC/TANF, food stamps and/or SSI, and this welfare income is not associated with work activities. Welfare dependence is the proportion of all families who are dependent on welfare.

The proposed definition is difficult to measure because of limitations with existing data collection efforts. Most importantly, the available data do not distinguish between cash benefits where work is required and non-work-related cash benefits. In addition, there are time lags in the availability of the national data from the detailed surveys that may be best suited to measure dependence. This 2001 report uses data from the Current Population Survey (CPS) and administrative data to provide updated measures through 1998 for several dependency indicators, a significant update from the 1995 measures reported last year. Other measures are based on the Survey of Income and Program Participation (SIPP) and other data sources. Drawing on these various data sources, this report provides a number of key indicators of welfare reciprocity, dependence, and labor force attachment. Selected highlights from the many findings in the report include the following:

- In 1998, 3.8 percent of the total population was dependent in the sense of receiving more than half of total family income from TANF, food stamps, and/or SSI (see Indicator 1). This rate has fallen considerably from the 5.8 percent rate measured in 1993. Dependency rates would be lower if they could be adjusted to exclude welfare income associated with work required to obtain benefits.

- The drop in dependency parallels the more well-known drop in AFDC/TANF and food stamp caseloads. The percentage of individuals receiving AFDC/TANF, for example, fell from 5.4 percent to 3.2 percent between 1993 and 1998 (see Indicator 3). Food stamp reciprocity rates dropped from 10.5 percent to 7.3 percent over the same time period. Reciprocity rates for TANF and food stamps fell again between 1998 and 1999, suggesting that dependency rates in 1999 (not yet available) will fall below the levels reported for 1998.
- In an average month in 1998, more than half (56 percent) of TANF recipients lived in families with at least one family member in the labor force. Comparable figures for food stamp and SSI recipients were 57 and 37 percent, respectively (see Indicator 2). Labor force participation, particularly full-time employment, increased considerably among AFDC/TANF families between 1993 and 1998.
- Long-term dependency is relatively rare. Only 4 percent of those who were recipients in 1982 received more than 50 percent of their income from AFDC and food stamps in nine or more years over a ten-year period. This represents less than 0.5 percent of the total population. Half of the 1982 recipients never received more than 50 percent of their annual income from AFDC and food stamps over the 1982-1991 time period (see Indicator 9).

Since the causes of welfare receipt and dependence are not clearly known, the report also includes a larger set of risk factors associated with welfare receipt. The risk factors are loosely organized into three categories: economic security measures, measures related to employment and barriers to employment, and measures of nonmarital childbearing. The economic security risk factors include measures of poverty and deprivation that are important not only as predictors of dependence, but also as a supplement to the dependence indicators, ensuring that dependence measures are not assessed in isolation. It is important to examine whether decreases in dependency are accompanied by improvements in family economic status or by reductions in family material circumstances. The report includes data on the official poverty rate, one of the most common measures of deprivation:

- As the dependency rate fell between 1993 and 1998, the poverty rate for all individuals fell also, from 15.1 percent in 1993 to 12.7 percent in 1998. The poverty rate fell again in 1999, declining to 11.8 percent, the lowest rate since 1979 (see Economic Security Risk Factor 1, Figure ECON 1a).

Finally, the report has four appendices that provide additional program data on major welfare programs, as well as alternative measures of dependency, additional data on non-marital births, and further information about data sources in this year's report.